National General Insurance Co. (P.S.C)

Condensed interim financial statements

For the three-month period ended 31 March 2014

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Independent auditors' report on review of condensed interim financial information

The Shareholders
National General Insurance Co. (P.S.C.)

Introduction

We have reviewed the accompanying 31 March 2014 condensed interim financial information of National General Insurance Co. (P.S.C) ("the Company"), which comprises:

- the condensed interim statement of financial position as at 31 March 2014;
- the condensed interim statement of profit or loss for the three-month period ended 31 March 2014;
- the condensed interim statement of comprehensive income for the three-month period ended 31 March 2014;
- the condensed interim statement of changes in equity for the three month period ended 31 March 2014;
- the condensed interim statement of cash flows for the three-month period ended 31 March 2014; and
- notes to the condensed interim financial information.

Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2014 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

07 MAY 2014

KPMG Lower Gulf Limited
Muhammad Tariq
Registration No: 793

National General Insurance Co. (P.S.C.)

Condensed interim statement of financial position

As at 31 March 2014

	Note	(Un-audited) 31 March 2014 AED	(Audited) 31 December 2013 AED
ASSETS			
Property and equipment		**32,859,168**	33,210,278
Intangible assets		**1,171,841**	1,206,438
Investment properties		**221,631,292**	221,631,292
Investment securities	*9*	**335,705,286**	293,494,816
Reinsurance assets		**154,569,717**	147,110,941
Insurance and other receivables		**121,228,266**	107,671,712
Cash and cash equivalents		**113,513,273**	136,099,485
Total assets		980,678,843	940,424,962
LIABILITIES			
Insurance contract provisions		**343,984,825**	336,929,634
Insurance and other payables		**145,578,801**	126,069,302
Payable to policyholders of unit-linked products	*11*	**40,845,357**	38,744,863
Total liabilities		530,408,983	501,743,799
EQUITY			
Share capital		**149,954,112**	149,954,112
Legal reserve		**59,986,254**	59,986,254
General reserve		**59,370,268**	59,370,268
Fair value reserve		**270,191**	(1,213,870)
Retained earnings		**180,689,035**	170,584,399
Total equity		450,269,860	438,681,163
Total liabilities and equity		980,678,843	940,424,962

The notes on pages 7 to 13 form an integral part of these condensed interim financial statements.

These condensed interim financial statements were authorised for issue and approved by the board on 07 MAY 2014 and signed on its behalf by :

Hamad Mubarak Buamim
Chairman

Dr. Abdul Zahra A. Ali
CEO

The independent auditor's review report is set out on page 1.

National General Insurance Co. (P.S.C.)

Condensed interim statement of profit or loss

For the three-month period ended 31 March 2014

	Note	(Un-audited) For the three-month period ended 31 March 2014 AED	(Un-audited) For the three-month period ended 31 March 2013 AED
Gross written premium	*10*	**112,237,440**	104,650,526
Reinsurance ceded		**(39,474,301)**	(38,635,344)
Net premium		**72,763,139**	66,015,182
Change in unearned premium provision and payable to participants of unit linked products		**1,167,942**	8,450,441
Net earned premiums	*10*	**73,931,081**	74,465,623
Reinsurance commission earned		**9,799,786**	9,938,730
Net underwriting income	*10*	**83,730,867**	84,404,353
Claims paid		**(80,084,308)**	(125,533,103)
Reinsurance share of claims paid		**21,322,702**	76,335,336
Net claims paid		**(58,761,606)**	(49,197,767)
Change in outstanding claims provision		**(3,458,021)**	(8,362,245)
Net incurred claims	*10*	**(62,219,627)**	(57,560,012)
Commission paid		**(10,912,333)**	(8,046,882)
Administrative expenses		**(8,853,810)**	(9,544,623)
Net underwriting expenses		**(81,985,770)**	(75,151,517)
Net movement in life assurance fund	*10*	**593,174**	1,552,501
Increase in fair value of investment held for unit linked products		**978,150**	188,215
Total underwriting expense		**(80,414,446)**	(73,410,801)
Underwriting profit	*10*	**3,316,421**	10,993,552
Interest and other income (net)		**7,605,658**	5,978,755
Net income from investment securities	*9.4*	**37,372,530**	16,388,668
Administrative expenses		**(3,543,065)**	(1,721,269)
Profit for the period		**44,751,544**	31,639,706
Basic and diluted earnings per share		**0.298**	0.211

The notes on pages 7 to 13 form an integral part of these condensed interim financial statements.

The independent auditor's review report is set out on page 1.

National General Insurance Co. (P.S.C.)

Condensed interim statement of comprehensive income

For the three-month period ended 31 March 2014

	(Un-audited) For the three-month period ended 31 March 2014 AED	(Un-audited) For the three-month period ended 31 March 2013 AED
Profit for the period	**44,751,544**	31,639,706
Other comprehensive income		
Items that will not be reclassified to profit or loss :		
Net change in fair value of investments at fair value through other comprehensive income	**1,457,313**	1,001,532
Items that are or may be reclassified subsequently to profit or loss	-	-
Total other comprehensive income for the period	**1,457,313**	1,001,532
Total comprehensive income for the period	**46,208,857**	32,641,238

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National General Insurance Co. (P.S.C.)

Condensed interim statement of changes in shareholders' equity (Un-audited)

For the three-month period ended 31 March 2014

	Share Capital AED	Legal reserve AED	General reserve AED	Fair value reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2013	149,954,112	47,475,696	46,859,710	(1,721,044)	103,247,210	345,815,684
Total comprehensive income for the period						
Profit for the period	-	-	-	-	31,639,706	31,639,706
Other comprehensive income for the period						
Net change in fair value of investments FVTOCI	-	-	-	1,001,532	-	1,001,532
Net change in fair value of investments FVTOCI transferred to profit or loss	-	-	-	-	-	-
Total other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1,001,532	31,639,706	32,641,238
Director's remuneration	-	-	-	-	(2,962,264)	(2,962,264)
Dividends declared	-	-	-	-	(29,990,822)	(29,990,822)
As at 31 March 2013	149,954,112	47,475,696	46,859,710	(719,512)	101,933,830	345,503,836
Balance at 1 January 2014	149,954,112	59,986,254	59,370,268	(1,213,870)	170,584,399	438,681,163
Total comprehensive income for the period						
Profit for the period	-	-	-	-	44,751,544	44,751,544
Other comprehensive income for the period						
Net change in fair value of investments FVTOCI	-	-	-	1,457,313	-	1,457,313
Net change in fair value of investments FVTOCI transferred to profit or loss	-	-	-	26,748	(26,748)	-
Total other comprehensive income for the period	-	-	-	1,484,061	(26,748)	1,457,313
Total comprehensive income for the period	-	-	-	1,484,061	44,724,796	46,208,857
Director's remuneration	-	-	-	-	(4,629,338)	(4,629,338)
Dividends	-	-	-	-	(29,990,822)	(29,990,822)
As at 31 March 2014	**149,954,112**	**59,986,254**	**59,370,268**	**270,191**	**180,689,035**	**450,269,860**

The notes on pages 7 to 13 form an integral part of these condensed interim financial statements.

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National General Insurance Co. (P.S.C.)

Condensed interim statement of cash flows

For the three-month period ended 31 March 2014

	(Un-audited) For the three-month period ended 31 March 2014 AED	(Un-audited) For the three-month period ended 31 March 2013 AED
Cash flows from operating activities		
Net profit for the period	44,751,544	31,639,706
Adjustment for:		
Depreciation and amortisation	899,724	819,909
Unrealised gains on others and investments fair valued through profit or loss	(37,435,165)	(16,388,668)
Change in unearned premium reserve and life assurance fund	(3,861,607)	(11,029,187)
Provision for gratuity – net of repayment	357,979	667,052
	4,712,475	5,708,812
Change in insurance and other receivables (including related parties)	(13,556,554)	(33,672,006)
Change in insurance and other payables	(10,839,302)	(1,126,030)
Change in net outstanding claims	3,458,021	8,362,245
Directors' remuneration paid	(4,629,338)	(2,962,264)
Net cash used in operating activities	(20,854,698)	(23,689,243)
Cash flows from investing activities		
Purchase of property and equipment	(525,517)	(96,752)
Purchase of investments fair valued through profit or loss	(17,705,721)	(13,947,946)
Sale of investments fair valued through profit or loss	15,995,824	-
Sale of investments fair valued through other comprehensive income	490,399	-
Sale of property and equipment	13,499	-
Change in bank deposits	(10,208,584)	6,636,965
Net cash used in investing activities	(11,940,100)	(7,407,733)
Cash flows from financing activities		
Dividends paid	-	-
Net cash used in financing activities	-	-
Net decrease in cash and cash equivalents	(32,794,798)	(31,096,976)
Cash and cash equivalents at the beginning of the period	74,318,998	78,638,358
Cash and cash equivalents at the end of the period	41,524,200	47,541,382
These comprise the following:		
Cash in hand	104,560	194,838
Cash at bank	5,965,224	5,702,780
Fixed deposits	107,443,489	76,650,443
Total	113,513,273	82,548,061
Less: deposits with original maturities of greater than three months	(71,989,073)	(35,006,679)
Cash and cash equivalents as at 31 March	41,524,200	47,541,382

The notes on pages 7 to 13 form an integral part of these condensed interim financial statements.

The independent auditor's review report is set out on page 1.

1. Legal status and principal activities

National General Insurance Co. (P.S.C) ("the Company") is a Public Shareholding Company registered under UAE Federal Law No. (8) of 1984 as amended, in the Emirate of Dubai with effect from 12 September 2001.

The Company was originally incorporated as a Private Limited Liability Company, registered under UAE Federal Law No. (8) of 1984, as amended, in the Emirate of Dubai.

The Company underwrites all classes of life and general insurance business as well as certain reinsurance business in accordance with the provisions of the UAE Federal Law no. 6 of 2007 relating to establishment of insurance authority.

The registered office of the Company is at the NGI House, P.O. Box 154, Dubai, UAE.

2. Basis of preparation

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual audited financial statements, and should be read in conjunction with the annual financial statements as at and for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

b) Basis of measurement

These condensed interim financial statements have been prepared on the historical cost basis except for the following which are measured at fair value :

i) financial instruments at fair value through profit or loss;
ii) financial instruments at fair value through other comprehensive income and
iii) investment property.

c) Functional & presentation currency

These condensed interim financial statements have been prepared in United Arab Emirates Dirham (AED), which is the Company's functional currency.

d) Use of estimates and judgements

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in the future periods effected.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements as at and for the year ended 31 December 2013.

3. Summary of significant accounting policies (continued)

The accounting policies used in the preparation of the condensed interim financial statements are consistent with those used in the preparation of the Company's audited financial statements for the year ended 31 December 2013.

The adoption of the new and amended standards and interpretations did not have an impact on the financial position or performance of the Company during the period.However, additional disclosures have been included in these condensed interim financial statements.

4. Financial risk management

Aspects of the Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2013.

5. Interim measurement

The nature of the Company's business is such that income and expense are incurred in a manner, which is not impacted by any form of seasonality. These interim condensed financial statements were prepared based upon an accrual concept, which requires income and expense to be recorded as earned or incurred and not as received or paid throughout the year.

6. Related party transactions

The Company, in the normal course of business, collects premiums, settles claims and enters into transactions with other business enterprises that fall within the definition of a related party as defined by International Accounting Standard 24 - (Revised). The Company's management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

a) The following are the details of transactions with related parties:

	(Un-audited) For the three-month period ended 31 March 2014 AED	(Un-audited) For the three-month period ended 31 March 2013 AED
Key management personnel compensation		
Remuneration and short term benefits	**1,472,830**	912,185
End of service benefits	**51,570**	101,940
Other related parties		
Premiums underwritten	**28,025,694**	27,397,230
Claims paid	**30,547,462**	22,697,653
Management expenses (net)	**-**	45,000
Interest income	**238,489**	192,586

6. Related party transactions (continued)

	(Un-audited) 31 March 2014 AED	(Audited) 31 December 2013 AED
b) Due from related parties		
Insurance Premium Receivable (included in receivables)	**13,072,272**	13,749,064
c) Due to related parties		
Payable to related party (included in payable)	**1,795,069**	2,298,163

7. Contingent liabilities and commitments

Capital commitments

Capital commitments as at 31 March 2014 amounted to AED nil (2013: nil).

Guarantees

	(Un-audited) 31 March 2014 AED	(Audited) 31 December 2013 AED
Letters of guarantees	**8,445,582**	8,215,083

Fixed deposits amounting to AED 15.07 million *(2013: AED 14.83 million)* are under lien as collateral in respect of above guarantees. Guarantees include an amount of AED 7.5 million *(2013: AED 7.5 million)* favoring ministry of economy and commerce.

Contingent liabilities

The Company, in common with other insurance companies, is involved as defendant in a number of legal cases in respect of its underwriting activities. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Company in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made.

8. Classes and categories of financials assets and financial liabilities

The table below sets out the classification of each class of financial assets and liabilities and their fair values:

At 31 March 2014

Financial Assets	**FVTPL AED**	**FVTOCI AED**	**Amortised Cost AED**	**Total AED**
Investment Securities	**283,137,521**	**37,176,333**	**15,391,432**	**335,705,286**
Insurance and other receivables	-	-	**114,645,653**	**114,645,653**
Reinsurer's share of outstanding claims	-	-	**88,683,591**	**88,683,591**
Cash and cash equivalents	-	-	**113,513,273**	**113,513,273**
	283,137,521	**37,176,333**	**332,233,949**	**652,547,803**

Financial Liabilities				
Insurance and other payables	-	-	**145,578,801**	**145,578,801**
Outstanding claims	-	-	**133,433,420**	**133,433,420**
Payable to policyholders of unit-linked products	**40,845,357**	-	-	**40,845,357**
	40,845,357	-	**279,012,221**	**319,857,578**

At 31 December 2013

Financial Assets	FVTPL AED	FVTOCI AED	Amortised Cost AED	Total AED
Investment Securities	241,876,497	36,209,419	15,408,900	293,494,816
Insurance and other receivables	-	-	105,491,644	105,491,644
Reinsurer's share of outstanding claims	-	-	85,332,500	85,332,500
Cash and cash equivalents	-	-	136,099,485	136,099,485
	241,876,497	36,209,419	342,332,529	620,418,445

Financial Liabilities				
Insurance and other payables	-	-	117,452,228	117,452,228
Outstanding claims	-	-	105,664,914	105,664,914
Payable to policyholders of unit-linked products	38,744,863	-	-	38,744,863
	38,744,863	-	223,117,142	261,862,005

9. Investment securities

	(Un-audited) 31 March 2014 AED	(Audited) 31 December 2013 AED
Financial assets at fair value through profit or loss	**283,137,521**	241,876,497
Financial assets at fair value through other comprehensive income	**37,176,333**	36,209,419
Financial assets at amortised costs	**15,391,432**	15,408,900
	335,705,286	293,494,816

9.1 Investments fair valued through profit or loss

	(Un-audited) 31 March 2014 AED	(Audited) 31 December 2013 AED
Investments on behalf of policyholders of unit-linked products	**40,845,357**	38,744,863
Equity investments - quoted	**242,292,164**	203,131,634
Total	**283,137,521**	241,876,497

9.2 Investments - Geographic concentration

	(Un-audited) 31 March 2014 AED	(Audited) 31 December 2013 AED
Investments made :		
- Within U.A.E.	**334,304,385**	292,240,994
-Outside U.A.E.	**1,400,901**	1,253,822
	335,705,286	293,494,816

9.3 Fair value hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair valur measurement is categorised :

Investment Securities	**Level 1 AED**	**Level 2 AED**	**Level 3 AED**	**Total AED**
At 31 March 2014				
FVTPL	**283,137,521**	-	-	**283,137,521**
FVTOCI	**35,775,432**	**1,400,901**	-	**37,176,333**
	318,912,953	**1,400,901**	-	**320,313,854**
31 December 2013				
FVTPL	241,876,497	-	-	241,876,497
FVTOCI	34,336,982	1,872,437	-	36,209,419
	276,213,479	1,872,437	-	278,085,916

9.4 Net income from investment securities

	(Un-audited) 31 March 2014 AED	(Un-audited) 31 March 2013 AED
Realised gain on disposal of investments	**346,398**	-
Revaluation of investments fair valued through profit or loss	**37,026,132**	16,388,668
	37,372,530	**16,388,668**

10. Segment information

Primary segment information

For management purposes the Company is organised into two business segments, general insurance and life assurance. These segments are the basis on which the Company reports its primary segment information.

	General insurance For the three-month period ended 31 March		Life assurance For the three-month period ended 31 March		Total For the three-month period ended 31 March	
	2014	2013	**2014**	2013	**2014**	2013
	AED	AED	**AED**	AED	**AED**	AED
Underwriting income						
Gross written premium	**96,054,138**	86,233,617	**16,183,302**	18,416,909	**112,237,440**	104,650,526
Reinsurance ceded	**(31,233,897)**	(26,856,611)	**(8,240,404)**	(11,778,733)	**(39,474,301)**	(38,635,344)
Net premium	**64,820,241**	59,377,006	**7,942,898**	6,638,176	**72,763,139**	66,015,182
Change in unearned premium provision and payable to participants of unit linked product	**3,347,285**	10,101,504	**(2,179,343)**	(1,651,063)	**1,167,942**	8,450,441
Net earned premium	**68,167,526**	69,478,510	**5,763,555**	4,987,113	**73,931,081**	74,465,623
Reinsurance commission earned	**7,036,757**	5,984,398	**2,763,029**	3,954,332	**9,799,786**	9,938,730
Total income	**75,204,283**	75,462,908	**8,526,584**	8,941,445	**83,730,867**	84,404,353
Underwriting expenses						
Net incurred claims	**(57,588,055)**	(54,911,127)	**(4,631,572)**	(2,648,885)	**(62,219,627)**	(57,560,012)
Commission paid	**(9,901,951)**	(7,377,532)	**(1,010,382)**	(669,350)	**(10,912,333)**	(8,046,882)
Administrative and general expenses	**(6,232,926)**	(6,914,830)	**(2,620,884)**	(2,629,793)	**(8,853,810)**	(9,544,623)
Total expenses	**(73,722,932)**	(69,203,489)	**(8,262,838)**	(5,948,028)	**(81,985,770)**	(75,151,517)
Profit before movement in life assurance fund	**1,481,351**	6,259,419	**263,746**	2,993,417	**1,745,097**	9,252,836
Increase/ (decrease) in life assurance fund	**-**	-	**593,174**	1,552,501	**593,174**	1,552,501
Increase in fair value of investment held for unit linked products	**-**	-	**978,150**	188,215	**978,150**	188,215
Underwriting profit for the period	**1,481,351**	6,259,419	**1,835,070**	4,734,133	**3,316,421**	10,993,552
Income from investments					**44,978,188**	22,367,423
Unallocated expenses					**(3,543,065)**	(1,721,269)
Profit for the period					**44,751,544**	31,639,706

11. Payable to policyholders of unit-linked products

Movement during the period:

	(Un-audited) 31 March 2014 AED	(Audited) 31 December 2013 AED
Opening balance	**38,744,863**	39,130,330
Net amount invested and withdrawn at redemption by policyholders	**1,122,344**	1,209,562
Change in fair value	**978,150**	(1,595,029)
	40,845,357	38,744,863

12. Comparatives

Certain comparatives have been reclassified / regrouped to conform to the presentation adopted in the condensed interim financial statements.